

May 14, 2008

**TO ALL EMPLOYEES, CREDITORS  
AND OTHER STAKEHOLDERS**  
*of Ascalade Communications and  
Ascalade Technologies Inc.*

Upon filing for protection under the *Companies' Creditors Arrangement Act* (the "CCAA") on March 3, 2008, the directors, officers and employees of Ascalade Communications Inc. and Ascalade Technologies Inc. (the "Companies") worked hard in an effort to restructure the business of the Ascalade Group of companies. Unfortunately, it quickly became clear that such a restructuring was not possible. Since approximately the end of March, the efforts of the Companies have been directed toward an orderly winding up of the business of the Ascalade Group to realize as much as possible for their creditors and other stakeholders.

In order to ensure an orderly winding-up of the Group, we caused our Hong Kong subsidiary, Ascalade Communications Limited ("ACL"), to file a Scheme of Arrangement with the High Court in Hong Kong. This Scheme was accepted by 97.4% of ACL's creditors and on May 13, 2008 was approved by the High Court in Hong Kong. The Companies are the largest creditors of ACL and are therefore motivated to ensure the maximum value is obtained for ACL's assets. A Creditor's Committee was appointed in the Scheme to assist the Scheme Administrator and to oversee the orderly wind-up of the Group business and sale of assets in Hong Kong and the People's Republic of China (the "PRC").

Now that the Scheme has been approved, the efforts of the Group have been focused on ensuring a sale of its factory, inventory and equipment in the PRC. We will now begin marketing of these assets.

On April 9 and 10, 2008, the Companies reached agreement with VTech Telecommunications Limited ("VTech") for the sale of certain assets, and similarly, on April 14, 2008, the Companies reached an agreement with Lifeline Systems Company ("Lifeline") for the sale of certain assets. As the Court appointed Monitor for the Companies, Deloitte & Touche Inc. was satisfied that neither VTech nor Lifeline are related to the Companies, and accordingly consented to both sales.

In order to move the CCAA proceeding to a point where the Companies can begin making a distribution to their employees, creditors and other stakeholders, the Companies have formulated a Plan of Arrangement they would like to place before their creditors for their consideration. Accompanying this letter is the Affidavit of Greg Allen, the President of the Group, and a Report filed by the Monitor detailing the status of the CCAA proceeding. These documents set out in some detail the steps the Companies have taken to ensure the maximum possible return is achieved for their creditors. Attached as Exhibit "H" to Mr. Allen's Affidavit is a copy of the Plan for creditors to consider and vote on at a Meeting of Creditors which is scheduled for June 17, 2008.

Under the Plan, if approved by the creditors and the Supreme Court of British Columbia, the employees of the Companies will receive an immediate payment, equivalent to which they would be entitled to if the Companies were adjudged bankrupt, of up to \$2,000 per employee. Once all the assets in Hong Kong and the PRC have been sold and a distribution made to ACL's creditors under the Scheme, the Companies expect to be able to make a distribution to their creditors. The net recovery to creditors will depend upon the results of the PRC asset sales, the subsequent recovery the Companies receive from the Scheme, and the eventual resolution of any disputed or contingent claims. Based on the current estimated realizations provided under the Scheme, we anticipate that the creditors claims will be satisfied in full.


On behalf of the directors and officers of the Companies, I urge you to carefully read the material enclosed with this letter and request that you cast your vote in favour of the Plan. Should you have any questions regarding the Plan, please do not hesitate to contact me at (604) 204-2900 or Mr. Jervis Rodrigues of Deloitte & Touche Inc, the court appointed Monitor at (604) 669-4466.

Thank you for your consideration.

Yours truly,

**Ascalade Communications Inc.**  
**Ascalade Technologies Inc.**

By:



Greg Allen  
President